

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

A COVER BAG STORY: INTERNATIONALIZATION OF SAVE MY BAG TO NORTHERN-EUROPE MARKET



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06.01.2017

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ABSTRACT

After several effective entries to foreign markets, Save My Bag aims for this tendency to continue. The company requires a thorough assessment to evaluate the next prospects for business activity. The purpose of this report is to help the company define the next step in its global expansion, through methods as customized scoring model, which bases on a set of relevant macro and micro-criteria. After deep assessment of several countries and different regions, it was concluded that Sweden has the market with most potential. The entry mode proposed is direct exporting via an independent distributor.

Keywords: **Internationalization, Save My Bag, Fashion market, Sweden**

INTRODUCTION

Save My Bag is an Italian fashion brand founded in 2013, producing handbags for women and men. The company noticed a lack of innovation in the handbag market and thereby witnessed a quick success locally and internationally.

Leveraging on the founders wide network in the fashion industry and the managers international ambitions, the company has entered several foreign markets in a short amount of time, however, the company sees further globalizing as an essential part of their essence. As the company has spare capacity, has generated required capital and possesses foreign partners, Save My Bag's intensions are to be present in more countries and increase their revenues through internationalization. In regards to the company's strategy, an internationalization analysis has been conducted, which concludes the next country by its potential for Save My Bag to enter. In order to reach to a conclusion of the most suitable country, an internal and external analysis of the company was performed, to have a deeper sense of the company's readiness for further expansion, competition in the

industry and external factors that could interfere with the company's intentions. Taking in consideration the current instability in economy and the change in consumer behavior, two regions arose: South-East Asia and Scandinavia. To fully understand, which country is most appealing for entering, a customized scoring model was developed to assess the market with most potential for a brand as Save My Bag. Afterwards, detailed analysis of the selected market was created, with a proposal for the most efficient entry mode. By gathering all the necessary data, a financial and risk analysis were performed assess whether the choices are viable.

LITERATURE REVIEW

Internationalization is a topic that has been extensively researched for decades, both by academic scholars and people involved in the international business itself. Although, the process of internationalization has changed significantly during last decades, considering the complexity of businesses and the rise of technology, the fundamentals to which many companies rely have stayed almost the same. Considering the type of company analyzed in the paper, only appropriate approaches defining the internationalization process of SME's will be analyzed.

Uppsala Model can be described as one of those, which is especially relevant to explain the decision making among SME's with internationalization in mind. It is a well-known model, created by Johanson and Vahlne in 1977, stating that an internationally orientated company will pass a stream of stages in the process of internationalization. It assumes that the company will start operating without regular export, then export via agents, which leads to an overseas subsidiary and finally founding of an overseas production. Many companies nowadays can relate to this model, as it assumes that the firms increase

their international involvement step-by-step, aiming to **keep the risk as low** as possible, thereby firstly targeting markets, which possess **proximity in distance and culture**. Then, increasing involvement on those foreign markets they operate and in case of success, find new markets, which are further.

In today's global economy many companies do not follow the path, which Uppsala Model applies, as the environment of international business has changed, making it easier then ever to enter a foreign market. Those developments initiated a new theory, called **international entrepreneur** (Oviatt and McDougall, 2005), which indicates to firms trying to go international from an **early stage** in their development. This phenomena has emerged worldwide for the last two decades, despite the fact that most SME's face resource constraints, these firms participate in international business either right from the start or in a very early stage. Save My Bag shares characteristics from both theories, being born-global in its essence, but started its foreign expansion following the proximity logic. Reasons why the company was involved in international business from early on was to increase sales, improve profits, reach to a greater economy of scale to thereby be more competitive with well-established fashion brands. In order to enter the market successfully, Root (1987) suggests creating a tailored strategy for the aimed country and the products offered for that market, to avoid unexpected challenges that might rise. To evaluate the suitability and potential of a market, Cavusgil (1980) created a **country-screening model**. The first stage of that model requires using **macro-level indicators** to eliminate many unsuitable markets from further investigation. The second stage focuses on assessing industry-specific information to reveal which market possesses the easiest market access and has the highest product potential. To conclude the decision, Koch

advises to assess only information that are **company-specific**, as profitability and product compatibility with the existing portfolio to select the foreign market to enter.

METHODOLOGY

In regards to methodology, both primary and secondary research was assembled. There were several employees, managers and the founder involved to support with required data. The information was gathered through real-life meetings, phone calls and e-mails.

Concerning the secondary research, publicly available data such as annual reports, industry overviews and news, along side with many relevant books about internationalization theory and articles by the industry specialists were used. Additionally, all of these resources were complimented with databases, e.g Euromonitor International, Eurostat, IMF, among many.

INTERNAL ANALYSIS

1. Company overview

Save My Bag is an Italian fashion brand, which specializes in producing handbags and accessories for men and women. The brand was **founded in 2013**, by Stefano Agazzi and his wife, Valentina Agazzi – two professionals having a long and successful career in the business of luxury goods. The concept of the brand was to serve women who possess highly priced iconic luxury bags (e.g Hermes Birkin bag, Chanel 2.55) by producing ‘‘cover-bags’’ that would protect them from the rain and other external factors that could cause potential harm to these expensive bags. The idea was executed during **Milan Fashion Week in 2013**, and by co-incidence, the rainy weather during that show was perfect for the concept bags to serve its purpose. Also, the founders would receive an

immediate response of how the customers react and if there could be a potential for business. For the surprise of the creators, the ought-to-be cover bags turned highly popular and women started using these to compliment their outfit, not only to cover their luxury bags. The founder, Stefano Agazzi already had a successful global jewellery packaging business called To Be Packing, which has been operating from 2001, based in Bergamo. Therefore, he was no stranger to the **luxury and fashion industry**, as many of the clients were from those segments. Existing factory, well-working supply chain and relevant contacts established during 15 years of career were certainly a favorable starting-point to enter the handbags market and to start producing handbags that were based on the concept they used, as it was visible there is potential and market for it. It took **6 months to create the first model** – Icon, which was not anymore a simple cover-bag, but a fully developed handbag. The material was kept the same, as it was the essence of its primary success and the key factor of innovation. The design however, was very fashionable, with a resemblance to the legendary Hermes Birkin bag, which was intentional, giving a hint of irony for Save My Bag as a brand. The company had also contacted Hermes in order to avoid any claims of authority issues and to receive legal permission to use the design. Since 2013, the material and design by **Save My Bag is patented**. The co-founder, Valentina Agazzi has commented the matter as following: “They’re inspired, not an imitation. Some of our customers actually match their designer handbag with a Save My Bag,” Agazzi said. “It’s made of a unique material, it’s not a fake leather bag.

The collection is produced of an **innovative researched material**: Poly-fabric with the LYCRA fiber, therefore a fabric of personal creation, softer and lighter than neoprene,

enriched by the presence of the fiber properties. It fascinates with its softness and elasticity. The material also stands out with its practicality by being waterproof and washable, it could act as a cover protecting handbags from external shocks. Since the 1950's the material has been used to produce wetsuits for water activities, but during last years similar fabrics have strongly entered fashion market, as many designers have used it in their collections. All of the **production is 100% made in Bergamo, Italy**, and also the raw material is provided from a local supplier, a company called Carvico. Save My Bag targets women and men of all age, who are trend-savvy, appreciate comfort mixed with unique design but do not take fashion too seriously, retaining a sense of irony. Research done by the marketing department of the company indicates most purchases come from middle – or high income earning women in the **age range** of 35-45. The bags are highly successful among that particular audience since the women who meet the criteria described value **quality** and have the **financial capabilities** to invest in it. The brand possesses wide array of models – **13 different types of bags**, which all come in more than **30 colors and prints**. There is also a various selection of accessories, laptop bags, cosmetic bags and scarves.

The **price range** for these products is relatively accessible, from 49.99€ – 119€. This range can be described as medium or lower-premium, as the prices of well-established premium brands such as Michael Kors, Guess and Coach also start from circa 85€. As Save My Bag's success mainly lies in its innovation and new type of material, there is only one **direct competitor** who also stands out with these qualities, another Italian brand called O Bag. Indirect competitors by price and/or quality are well-established key-players in premium fashion market, e.g Michael Kors, Guess and Kate Spade.

The 5 **best-selling** models worldwide are **Miss, Principe, Weekender, Portofino** and **Hippy Clutch**. (Appendix for further description).



Portofino bag

2. Mission, vision and strategic objective

The mission of Save My Bag is to provide **innovative products**, which stand out with its **fun and ironic character**, to trend-savvy consumers who do not take themselves too seriously. The company has the vision to be categorized as a premium brand not only by price, but also through **high quality and innovation**, at the same time representing the classic design and style of Italy. Save My Bag's main strategic objective is to be **globally distributed** among other luxury and/or premium brands, in the most well known fashion districts, department stores and boutiques.

3. International operation

The company can be categorized as a **small enterprise**, as it has the staff around 40 people, in several departments – management, distribution, sales, marketing, R&D, logistics and PR. Save My Bag currently produces **6,500 handbags per week** and closed 2015 with a revenue of €4.5 million, after generating €1.3 million in 2014. Currently, most of the revenues derive from physical stores, with increasingly high support from e-commerce. Save My Bag started its global expansion almost immediately after the brand was created. After being present in most important Italian cities and districts of fashion, the brand entered to foreign markets – quickly settling in to well-known shopping

destinations, e.g **St.Tropez, Monaco, Paris, Singapore**. The company's **distribution channel** includes several flagship stores around the world (Italy, Spain, Mexico, Singapore, France), presence in **department stores** (Bloomingdale, Saks and Harvey Nichols) and in **multi-brand boutiques**, and its own **e-commerce** (www.savemybag.it), where all the products can be ordered and shipped worldwide.

The internationalization of the brand so far has been swift and successful - by 2016, Save My Bag is present in **30 countries** and having more than **700 boutiques** offering the brand's products globally, an achievement, which is reached with less than **3 years**. The expansion has been very rapid and the range geographically is very wide, extending from North-America to South-East Asia. In order to **enter foreign markets** quickly and sufficiently, Save My Bag practices **direct exporting**, using intermediaries (agents and/or distributors), whom they find through self-initiative, retailing fairs or upon requests. Once a partnership is established, the intermediaries provide the products to retailers, letting them operate in an agreed area based on the company policies. Those policies include following the criterions on company's descriptions regarding marketing and advertising, selling only in premium fashion department stores or boutiques, and having to coordinate any projects with the headquarters before undertaking. Regarding **flagship stores**, there are two possibilities –in Italy, the flagship stores are all owned by the company, but the flagship stores abroad are joint ventures, with a local partner who is responsible for managing the shop.

The company's **expansion strategy** can be described as following: first the nearby countries who are similar culturally, have a equivalent purchasing power as Italy, and share the similar taste of fashion. These countries include France, Spain, Greece and

Monaco. **Next target group** was the countries, which have a large **consumer capacity** and a relatively strong **purchasing power**, including Hong-Kong, Mexico, South Korea and Japan. Analyzed separately, significant differences can be found, but the willingness to follow the latest trend characterizes a large proportion of consumers in all of these countries. As seen, an evident emphasize has been on **expanding to Asia**, which has been very successful venture for the Save My Bag. Asian market has adopted the brand very quickly and has found a place in the local fashion community. The founder Stefano Agazzi has also noted the following about **Asian market**: "China, Japan and South Korea are our leading markets for sales; exports currently account for 70% of our total sales.”

External Analysis

1. Overview of the market

Save My Bag operates in **personal accessories industry**, more precisely, in the market of handbags. The market of handbags can be divided in to **5 categories**: everyday bags, business bags, luggage, wallets and coin pouches and other small bags. Save My Bag concentrates on **everyday bags**, which is the major category that stands out in terms of value and value contributor volume contribution, driven by the fashion orientation and functionality of these frequently used bags compared to the other categories. The company sells **medium-priced handbags** for women and men, identifying itself as a “affordable luxury” brand, since the quality of the products is high and the models of the bags are up-to-trend. Also the placement, where Save My Bag is being sold, indicates its belonging, as it always among other luxury or premium brands. Since most of the company’s revenue come from foreign markets, an analysis for the world market will be

performed, viewing the trends and the prognosis for upcoming years.

The handbag market can be described as a **mature market** with **intense competition** among both large and small players. The main **driver** of the industry is fashion, with seasonality also being a major factor. Last recession demonstrated that consumer behavior changes quickly with **economic instability**, proving that the industry is vulnerable to any negative changes in economy. **Sales of accessories** have witnessed a **rapid increase** in the past decade and, today, account for almost **30 percent** of the total global luxury market, up from 18 percent in 2003. The **retail value** of women's handbags in the U.S. was 10.2 billion U.S. dollars in 2015. This figure corresponds to around 30 percent of all revenue generated by sales of women's accessories that year. Only the sale of women's jewelry was more profitable than handbags in 2015. It is no surprise that handbags are still the most used accessories, as especially for women, it is a practical necessity, which is more than something to compliment an outfit. For consumers, handbags are **cost-effective status anchors** that can be mixed and matched with other items to suit a wide range of occasions. For brands, handbags offer **attractive retail economics**, characterized by high sales productivity (sales per square foot) and strong full-price sell-through results. Brands have a different approach to handbags in their product line, depending whether they are in the category of luxury, premium and if they solely concentrate on selling handbags. For luxury brands like Prada, Louis Vuitton and Hermes, the leathered handbags make up a high percentage of the yearly revenues – for Hermes, it mounts up to 23%. More importantly, the iconic models these brands produce (Birkin bag, Kelly bag, Speedy bag) represent the history and heritage of the brand, something that separates them from premium brands. Based on its quality, price and the

consumers the brand targets, Save My Bag can be categorized as a **premium or affordable luxury brand**. Being fuelled by current trends, the accessible luxury market is expected to grow €150 billion (\$164 billion) between 2014 and 2021, reaching €685 billion (\$747 billion) by 2021, according to a report by Boston Consulting Group and Altagamma.

2. Trends, global growth and prognosis

The handbag market **thrives on trends** dictated by fashion. Last years have brought a significant change in the personal accessories industry, which can be explained through several factors. Main reason behind it is the fact that luxury handbag industry is starting to lose its luster. This has a lot to do with the **change in consumer behavior** – especially among millenials, who's habits of shopping have been developing amidst the economic instability and who possess less funds than generations before in their age. Thereby, the **demand for affordable luxury has grown significantly**, less expensive brands are gaining momentum as their products are up to fashion but are sold at a lower price, thus having a higher value per money ratio. The trend has a lot to do with the **increasing number of middle class consumers**, particularly from emerging markets. The world's middle class population is set to hit 3.2 billion in 2020, up from 1.8 billion people in 2009, according to the Organisation for Economic Co-operation and Development (OECD). The OECD predicts that the majority of this growth will come from Asia, which will account for 66 percent of the world's middle class population by 2030, compared to 28% in 2009. There has also been a shift in **consumer preferences** regarding taste, as especially among women, having smaller bags like totes and clutches are now seen more fashionable than possessing a big or oversized handbag. This trend is also linked to the

economic situation, as smaller bags usually come with a lower price.

3. Market size and demand

Demand for the Global Handbag and Purse Manufacturing industry has resurged over the past five years, as **global economic conditions have improved** and consumers have begun spending what they delayed during the recession. A factor that has given a certain boost to the consumption of handbags is the popularity and the development of **online shopping**. Compared to clothing, consumers see shopping for handbags as a safer choice, as the suitability of the product does not depend on intrinsic aspects, e.g body type.

In the coming years, demand for handbags and accessories will grow as conditions in the global economy, especially in Western Europe and North America, strengthen.

Analyzing **handbag market by region**, it is visible that European market is expected to witness steady year-on-year growth, relying on several signs. Firstly, the market is driven by **recovering economy**, which has increased disposable income as well as per-capita consumption of consumers on handbags. Also, there is a growth of occasions of using variety of handbags, which results in high demand for esthetically appealing handbags by consumers. Technavio's analysts forecast the handbags market in Europe, in terms of revenue and volume, to grow at a CAGR of 3.62% and 3.18%, respectively, over the period 2014-2019. Two regions that are performing better than the global average are **North America** and **Asia Pacific**. Despite the slowdown in China, Asia Pacific continues to outperform, with the region registering four times larger growth than the global average. Countries like India and UAE can expect a robust growth that could reach up to 11% of annual growth. In China, the growth will slow slightly, but will still be dynamic with an 8% CAGR in constant value terms over the forecast period. (Euromonitor)

4. Competitive landscape

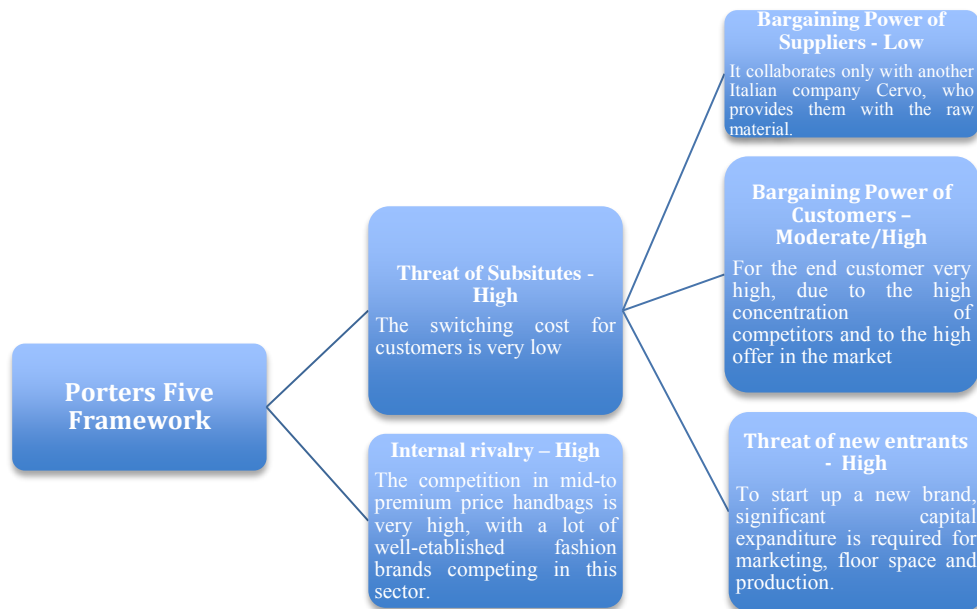


As it is visible from the **Figure 1**, the big brands hold a lot of market share, but compared to the statistics from 2004, those numbers have fell. There has been a rise in other brands, meaning that the market is getting more crowded. As the luxury brands Louis Vuitton, Burberry and Prada are not direct competitors to Save My Bag, it is necessary to view who are represented in the Others category. One of the **most popular** brands included in that section is Michael Kors, which has a strong presence in all parts of the world, thanks to its wide penetration in department stores. Its price range is slightly higher then the one of Save My Bag, but it is a very well established and popular premium brand, with high volume of sales in several regions across the world.

A very **direct competitor**, which also stand out with its innovative design and use of materials, is another Italian independent company named O Bag. The brand was established in 2009, and has also an e-commerce, several boutiques all over Italy and retailers in 55 countries worldwide. The product line is almost as wide as Save My Bag's, and the bags come in similar price range. The difference comes in how the two brands are perceived, O Bag is considered more casual, used for recreational activities like going for groceries or to the beach, whereas Save My Bag represent a more glamorous and chic lifestyle, with a hint of irony in their design.

5. Industry Analysis: Porters Five Forces Framework

In order to analyze the level of competition within the industry and business strategy development, a Porter's Five Forces Framework will be performed. Through that we can determine the intensity of competition and therefore attractiveness of the industry. **(Figure 2)**



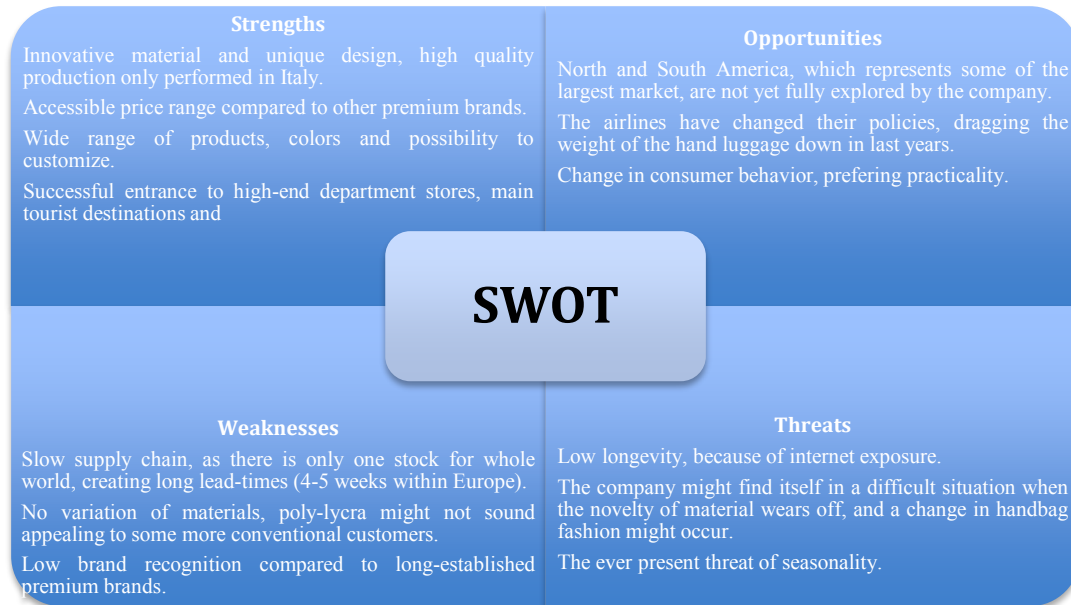
COMPETITIVE ADVANTAGE

To assess whether the company possesses any **competitive advantage**, a VRINNO analysis was performed to assess company's unique strengths. The framework revealed that although Save My Bag holds **specialized assets**, which are valuable and/or rare, they still have the potential to be replicated or substituted. As a result, it can be stated that the company does have competitive advantage to some degree, but its **sustainability** can be under threat. (Comments in appendix).

SWOT Analysis

In order to identify Save My Bag's internal and external influences, a SWOT analysis will be

performed, which will point out the strengths, weaknesses, opportunities and threats of the company. **(Figure 3)**



COUNTRY SELECTION

1. Initial set of countries

The **export manager** of Save My Bag suggested the initial set of countries to analyze. Those countries were in two regions, which both demonstrate a lot of promise for different reasons. The brand is already present in several Asian countries, like China, Korea, Thailand and even has a flagship store in Japan, thereby the company seeks to expand current success to other **South-East Asia** countries as well. The market has a lot of potential, because of the **growing financial capability** of the local middle-class and the influence, which western fashion has had to the consumers, who can be now described as very trend-savvy. The countries recommended by the company were

Malaysia, Philippines, Indonesia and Singapore.

Even though Save My Bag already possesses a strong presence in Europe, the Northern part is still unconquered. The region has a high strategic importance to the company, as being the only area in Europe with no business activity. Considering the ambitions of the brand and their strategy, it is their priority to be present in all European markets, and entering Scandinavian market serves them not only economically, but also leverages the brand recognition, credibility and makes them even more competitive. The company requested to analyze all the Scandinavian countries, except Iceland and Faroe Island. That is because of the small market and difficulties in export, thereby, **Norway, Denmark, Sweden and Finland** were screened.

2. Criteria selection and distribution of weights

In order to **determine the competitiveness** of the selected countries and the success that Save My Bag could reach in each of these countries, twelve main factors were identified that affect the business abroad. These indicators are related to a macroeconomic, market characteristics and country environment analysis. In terms of macroeconomic factors, **GDP per capita (7,5%)** and the **GDP growth rate (7,5%)** were identified as main evaluation criteria. Concerning the **political and legal environment**, the best indicator to assess these factors in every single country is the World Bank's ranking of **the ease of doing business**. It can be concluded that this indicator has high importance since it allows to evaluate the investment climate, attractiveness to start a business, easiness to overcome trade across border barriers (receptiveness to imports and exports) as well as taxes obstacles, thus being weighted with 15%. Additionally, the **Market Potential**

Index (7,5%) was considered by GlobalEDGE to be an important indicator on the country's attractiveness since it takes the country's overall economic potential (market size, market intensity, market growth rate and market consumption capacity), commercial infrastructure, market receptivity, economic freedom and country risk into account. After **defining the criteria** and collecting necessary data for the twelve factors analyzed, standardization was performed into a scale from 1 to 100, to avoid a situation of artificial weighting. The explanation of the equation can be found in appendix.

Level	Criteria	Weight
Macro (25 %)	Number of women in age of 30-45	5%
	Overall population	5%
	Gross National Income Per Capita	7,5%
	GDP Growth Rate	7,5%
	Economic freedom	5%
	Ease of doing business	15%
Macro and company specific (75 %)	Personal accessories market size	10%
	Market Potential Index	7,5%
	Property rights	5%
	The tendency to follow trends	10%
	Distance from Italy	5%
	Language barrier	2,5%

Figure 4 – Distribution

3. Results

Sweden	Denmark	Norway	Singapore	Finland	Malaysia	Philippines	Indonesia
69,1	67,65	66,3	60,95	58,45	46,3	33,7	33,55

As can be seen from **Figure 5**, the country with the highest score based on the criterions analyzed was **Sweden**. Sweden matches all the macro and micro company-specific requirements, having very high results in **GDP indicators**, very low country risk, and is the 9th country in the world in the **ease of doing business** rankings. Sweden has one of the world's most **developed business environment** worldwide and one of the **wealthiest financial systems** in Europe. The financial system offers a wide array of choices among credit instruments and different banks, which are usually easy to access by foreign investors or firms.

SWEDEN'S MARKET: ANALYSIS AND ENTRY MODE

Sweden is a country located in Northern Europe bordering the Baltic Sea, Gulf of Bothnia, Kattegat, and Skagerrak. It has a **Total Population of 9,798,871** and it is the **5th** biggest country in Europe by area. The country is considered as one of the most **highly developed** post-industrial societies, having a 60,430.22 USD GDP per capita, thereby making it one of the **wealthiest in the world**.

1. Industry analysis

After nearly a decade of turbulent performances, **Sweden's economy** has witnessed positive developments since 2015, having returned to positive, 4,1% growth. **Declining unemployment rate** and one of the world's **lowest interest rates** creates a stable environment and an optimistic outlook for the coming years. Those positive factors have

led to the return of consumer confidence, which explains the forecasted growth of personal accessories market (**Figure 6**).

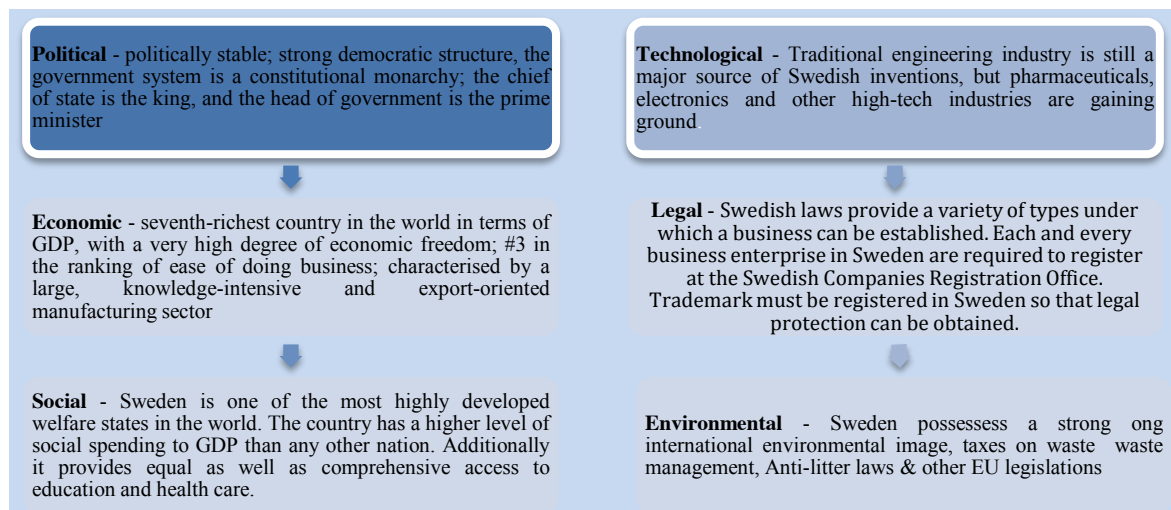
% Volume Growth	2015/16	2011-16 CAGR	2011/16 Total
Bags and Luggage	2.1	1.5	7.6

Sweden possesses a lot of potential not only for the economic indicators, but also for the **consumer behavior**. Swedish people can be described as very **trend-savvy** and curious about fashion. What distinguishes them from other high-income consumers is that they have a **culture of fast-fashion**, an eagerness to always be up-to-trend and not necessarily investing in luxury. Thereby, the customers have the confidence to buy new brands on the market, if it serves their needs, practical or aesthetic. The current trend witnessed in bags and luggage is the athleisure trend, where the emphasize is on comfort and practicality, but still with a sense of style that can be acceptable in professional environments. Here, being light in weight and functional are the key product characteristics that determine the success of a brand. In term of **competition**, all the key players of fashion industry are present in the country. Sweden's fashion industry also has several local brands, many of them competing in the personal accessories market. Brands like Snö of Sweden, Daniel Wellington and Swatch are highly popular among consumers and possess a significant market share. Fjällraven AB Sverige, Swedish leisurewear brand, having a wide handbags line, can be considered as a competitor by the price range and distinctive style. In regards to **distribution**, it is important to note the strong impact of e-commerce in shopping activity. Sweden has about **8.7 million Internet users**, which account for 94%

of the total population. Almost three in four Swedish households with access to the Internet have ordered something online in the last twelve months. In total Swedish consumers spent about €5.2 billion on products purchased online in 2015. For 2016, an increase of 16 percent is forecasted, which would mean ecommerce in Sweden will be worth 6.2 billion euros that year.

2. Macro-economic Analysis (PESTLE)

A **PESTLE** analysis is a framework used to analyze and monitor the macro-environmental (external marketing environment) factors, being divided in six main groups, which could have an impact on an organization. (**Figure 7**)



3. Entry Mode

There are **four entry strategies** applicable for Save My Bag to enter the Swedish market, as it can be seen in Appendix XI. Each of these entry modes has their advantages and disadvantages. Considering the current business model of Save My Bag and the most optimal choice regarding **cultural differences, distance and potential profitability**, it

was concluded that in order for Save my Bag to fully leverage its core competences and simultaneously obtaining a deep understanding of the Swedish market, the company could either enter through a **cooperative joint venture** / joint marketing cooperation or **direct exporting**. Direct exporting seems more appealing, as the main short-run objective is to **minimize costs and risk**. To get in-depth knowledge about the specific market of Sweden a partnership with a local **agency or distributor** is recommended. The local knowledge provided by the distributor, in the case of direct exporting, allows to target the market more efficiently and distribute the products through most efficient channels. Furthermore, the costs associated with investments and inventory could be **minimized**. An intense partnership such as a joint venture is not recommended at the beginning since it implies the **risk to fail** due to conflicts or disputes and results in a loss of control. After the first years conducting direct exports and testing partnerships with different players, this could be the next step. Furthermore, the company would not mind if the same distributor would start operating in the other Scandinavian countries as well, as the markets, economies and cultural backgrounds are very similar.

4. Risk analysis

In case the company uses the **direct export** as an entry mode based on the same criteria as with other countries, then it will not bear any significant costs. There will be **no entry costs**, as the mediator will either need to have a fashion store of its own, or a warehouse to stock the merchandise in order to sell them to the retailers. What the company will have to know in advance from the partner is the **expected volume of sales**, by assessing the number of retailers and in which amount will they request orders for the goods. By obtaining the necessary information, the company can adequately assess by

how many units they need to increase their production to have a sufficient supply for the demand. A positive result of expected revenues per year stated by the company for the Sweden's market would be **150 000€** (based on the market size and number of doors). Concerning **marketing and advertising** expenses, the distributor is expected to cover most of it itself, with a possibility of receiving some financial support for a special project. There is however a **need for more employees**, as currently there are only two export managers handling the daily operational tasks. The **cost of exit** does not exist, as the company only ships its goods when the order is already prepaid.

Regarding **risks**, there are a few that the company can face during the venture. Firstly, it is the **distributor risk**, which can be considered very high. The distributor can have a strong negative impact to the company, if it does not have the ability to properly initiate the business. It is highly important that the distributor would be experienced, having a thorough knowledge of the local retailing market, necessary contacts and a sense of fashion industry in general. **Low brand awareness** is a challenge, as the local consumers have minimal contact with the brand. Active marketing needs to be applied to introduce the brand through different sources, e.g magazines, social media and collaborations with the authorities of fashion industry. **Competition risk** will be a significant risk, as Sweden's market has all the direct and indirect competitors already present. **Exchange rate** risk is relatively low but some fluctuation can always occur.

CONCLUSION AND RECOMMENDATIONS

Taking into consideration the fact that Save My Bag has the intention to further expand, and covering Northern-Europe is their priority, it can be advised that the first country to

enter in that region is Sweden. The entry-mode advised is **direct exporting** with an **independent distributor** operating and taking the responsibility of finding sources to sell the brand on the given market. To be successful with this venture, set of **recommendations** should be taken into account.

Firstly, it should be considered if the **low financial support** for the distributor is most beneficial in the long run. Separating funds for advertising and providing furniture for fairs could be something to discuss, as it assists the distributor to raise brand awareness and improves the image of the brand, which is utterly important in the fashion industry, especially in the starting phase. Setting up a **flagship store** is an investment that possesses great potential for raising revenues, but requires high liquidity. Thereby, some financial support for the partner could accelerate the process of opening a mono-brand shop.

Also, the company should consider how much of control they find necessary to apply on marketing. So far, the company has strict rules on how the bags should be introduced. In Sweden's case, the distributor might possess more knowledge on how a product should be introduced to customers for it to be adopted quickly. The company should also immediately permit the distributor to open its own **e-commerce**, as the local consumers are avid online shoppers. That would also benefit the company as a whole, as customers ordering from Northern Europe would receive their merchandise earlier, thereby affecting positively the customer service. **Lastly**, as the company has a plan to be present in all Scandinavian countries, the company should co-operate with one, maximum two distributors, as the markets are very similar. That would make it easier for the company, as having too many intermediaries can create confusion.

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